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CHALLENGES OF THE EXPORT PRO- CESS

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International Business

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Yritysten kansainvälistyminen on viime vuosina kasvanut suuresti muun muassa yhteisten talousalueiden johdosta. Yritysten, niin pienien kuin suurienkin on ymmärrettävä, mitkä tekijät vaikuttavat kansainvälistymisprosessissa ja mitkä tekijät ovat huomioitava prosessin aikana, jotta menestys kansainvälisillä markkinoilla voidaan saavuttaa. Tarkoituksena oli kartoittaa Olvi Oyj vientiprosessia sekä löytää haastatteluiden perusteella yhteisiä haasteita eri vientiprosessin osa-alueilta.

Teoreettinen viitekehys rakentui kansainvälistymisen sekä itse vientiprosessin ympärille. Aluksi kansainvälistyminen ja sen syyt esiteltiin, minkä jälkeen eri muotoja toimia kansainvälisillä markkinoilla käytiin läpi. Tämän jälkeen vientiprosessi käsiteltiin tarkemmin sekä sen osa-alueet kuten logistiikka. Tutkimus toteutettiin laadullisen menetelmän avulla. Haastattelujen pohjana käytettiin tulokorttia ja sen eri näkökulmia. Haastattelussa oli mukana työntekijöitä eri vientiprosessin vaiheista.

Tulokset osoittivat, että suurimmat haasteet olivat viennin sovittaminen yhteen kotimaan tuotannon kanssa, sekä yleinen organisointi ja viennin johtaminen. Kuitenkin positiivisiksi asioiksi koettiin mahdollisuus vientiin sekä osaava ja oppiva henkilökunta.

Avainsanat	kansainvälinen liiketoiminta, ulkomaankauppa, vienti ja tuonti, kansainvälistyminen
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ABSTRACT

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The internationalization of companies has grown significantly particularly due to common business and trading areas. Companies, both small and large need to understand the factors affecting the internationalization process but also what factors are taken into consideration during the process, in order to achieve success in the international market. The aim was to identify Olvi plc. export process, as well as find common challenges of the process based on interviews from the different departments involving export process.

The theoretical framework discussed internationalization and the export process itself. Initially, internationalization, and the reasons were presented, after that various options of action in the international market were considered. Thereafter, the export process was discussed in more detail as well as its sub-areas, such as logistics. The research was conducted by using the qualitative research method. The interviews were based on balance scorecard and its different objectives. The interviewees were from different departments involving export process.

The result of the interviews showed that the main challenges were fitting the export process into domestic production but also the general organization and export management. As the positives aspect of export was seen that export is even existing, but also skillful personnel.

Key words	international business, foreign trade, export and import, internationalization
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1 INTRODUCTION

Internationalization of companies is growing all the time and different factors such as size of the company, its products, knowledge etc., drives companies to expand the operations abroad. All these determine the process but also which method each company will choose when doing foreign operations. Small, but also big companies can face different challenges when starting the internationalization process and export business. Understanding international business requires a theoretical perspective of internationalization process.

Early theories about international trade and investment mostly concern political aspects of economy instead of international trade. After the industrial revolution, when trading rapidly expanded, companies started to produce also for foreign market and because of this, traded products required well-controlled sales and distribution but also repairs and service centers. This development made so called multinational corporations possible. (Tayeb 2000, 138)

Because the international operations of the companies are increasing at the moment, topic is important to study. There are several studies about how to do international operations or export business, but challenges are important to consider as well. Because the companies are different, same way to do the export cannot be used. It is important to locate possible challenges to find better way to do international business or achieve better success. Especially for the companies who are newcomers in the export business, is hard to find suitable way for them to do exports.

1.1 The Problem Statement

The research problem of this research is to develop the export process of Olvi. In order to solve this research problem, the following objectives are set. The first objective is to examine export as a process, including export methods and logistic alternatives. The second objective is to empirically analyze the challenges in the case company's export process and suggest corrective actions to it. When challenges are collected by using balanced scorecard and they are analyzed, corrective

actions could be taken and could be developed the export process as a part of normal domestic production.

1.2 Structure of the Study

The thesis is divided into five different main chapters. The first chapter introduces the background of the thesis and the statement regarding the research problem. The chapter two, put emphasis on the theoretical framework of the study. Chapter two is dealing with internationalization process and its different options. Theoretical framework of internationalization process is introduced and different options such as direct and indirect export are explained. The theory of export and discussing of the importance of production and product development planning in export process is presented at the end of the chapter.

The chapter three deals with the role of the logistics such as packing and storage but also risks in logistics are discussed. It also introduces different modes of delivery, documentation and incoterms. The chapter four explains the research methodology and implementation of the study. Firstly, methods used in the research are presented and then the data collection and analyses is introduced. After that it is argued why the qualitative method was chosen for the study. Furthermore, the research process is presented and finally the reliability and the validity are explained and analyzed when taking into account the results of the thesis.

The empirical part of the study is included to the chapter four as well. The case company is introduced followed by the introduction the current export process and its common challenges. After having analyzed the results of the interviews, developing suggestions are introduced. In the end the summary of the thesis is argued.

2 INTERNATIONALIZATION AND ITS DIFFERENT OPTIONS

This chapter introduces basic theories about internationalization process and different factors which drives companies to expand abroad. Different options to operate abroad such as indirect export options and direct export options are discussed.

2.1 Factors Affecting Internationalization

Understanding of internationalization process is crucial for companies that are willing to expand operations abroad. It is important consider aspects such as why, how and when. A decision to go international has to be worthwhile and profit should not be the only and major factor. Encouragements come from current existing alternatives but an also emerging from previous experiences or research and development. According to Tayeb (2000) the internationalization process depends on different factors such as organizational factors but also environmental factors. The decision comes from a combination of these factors and standard guidelines are not given. Figure 1 will illustrate the factors, which drives the decision to go international and after the figure, both factors are discussed in detail.

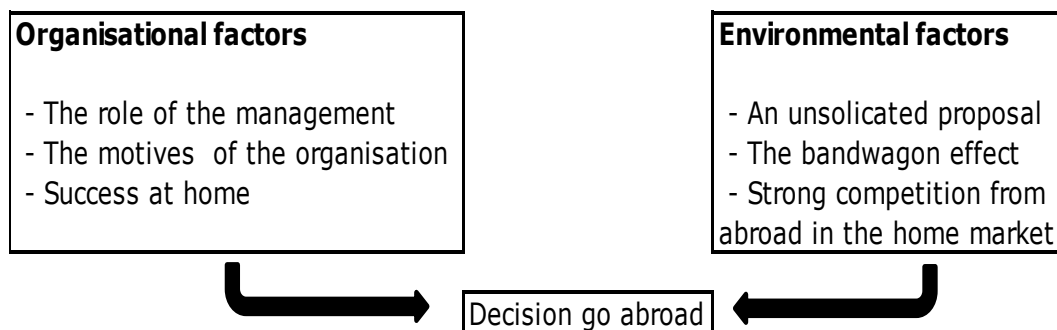


Figure 1. Factors, which drives the decision to go international (Tayeb 2000, 131)

As Figure 1 shows, organizational factors include the role of management, the motives of the organization and success at home. Firstly, the role of management is an essential motivational factor to go international. The whole decision depends on activity and commitment of the management. Usually everything starts from top-management and its awareness of the international opportunities. An im-

portant factor which drives the individual commitment towards internationalization is knowledge about the foreign market or the foreign customer in the market. Top-management is also more and more aware of the opportunities abroad and this gives the motivation expand to the foreign market. Internationalization could start also from employee level. Employing a new staff with background of international business or interest in international business could drive the company to internationalization. (Tayeb 2000, 132; Seyoum 2009, 100)

Secondly, motives of the organization could influence the internationalization process. The company could find better options for example to produce products more cheaply abroad and this could motivate to expand abroad. Companies could go abroad proactively and seek new markets for its products and services. New markets are sought for many reasons such as profit advantage, product uniqueness, patents, tax benefits and exclusive information of the market. Companies seek also efficiency in their production or distribution. Reason for that could be for example an availability of an efficient port. (Tayeb 2000, 133-134; Seyoum 2009, 100).

The third method to enter the market is resource seeking. This depends on availability of certain resource or input. Success in the domestic market encourages the firm to try a foreign market. The domestic success, but also limitations of the market could influence the management decision. (Tayeb 2000, 134-135; Seyoum 2009, 100)

The other column of the Figure 1 shows environmental related factors such as unsolicited proposal, the bandwagon effect and strong competition from abroad. There are several studies which shows an unsolicited proposal has an important role in the decision to expand abroad. When a company receives the proposal from the foreign market, it could start the thinking process of internationalization, if the company has not thought about that before. An investigation of the foreign market could be started. Because of lack of knowledge, some markets could be seen as high risk markets or countries. The experience or willingness of the management does not influence these kinds of risks such as unstable government, a

lack of infrastructure or foreign exchange risk. (Tayeb 2000, 136-137; Seyoum, 100)

The second factor called bandwagon effect means that competitive companies are following in each other's steps, for example a company is expanding abroad because of cheap employment costs and another company is following soon for the same reasons to keep the competitive position. This factor is influencing the decision to expand abroad, because the company wants to keep at least its current position on the market. The third environmental factor is strong competition from abroad. When a foreign company starts to operate in the domestic market, the domestic companies realize that they have similar kinds of product in same quality or even better, idea for internationalization has born. (Tayeb 2000, 137-138; Seyoum, 100)

2.2 Options to Export

Exporting is when a country is selling products, produced by that country to another country's use or release. Export as well as import could be divided into two groups of activities, trade of goods which is trade of tangible products and trade in services, which is trade of intangible products. This thesis is focused mostly on trade of tangible products because Olvi Plc. does not export services but tangible products such as different beverages in cans and bottles. Governments have encouraged companies to do international business and exchange by reducing various obstacles and barriers. Different common trading areas have been established such as European Union. European Union simplifies the export between European Union member countries because of single market policy. This means that money and goods can move freely and there are technical harmonization of standards and specifications. Just like the European Union, WTO is an organization, whose one of the main purposes is reducing custom tariffs and other barriers in sale (Griffin & Pustay 2013, 34-35; Welch, Benito & Petersen 2007, 237; Hitiris, European Union Economics 2003, 65; Reimavuo 2001, 11)

There are different forms of export activities such as direct export, indirect export and project export. Direct export could be divided into two different kind of direct export. The other, where a company uses foreign broker and the other one, where

a company sells directly to foreign end users. These export activities are important to consider carefully, because it has effects on the price of the products, it could be an advantage in competition and it could also make export easier to certain countries. Choosing the export channel is crucial and have to be considered carefully as well. Things such as previous export knowledge of the company, conditions of the exporting country, product itself and the target group could affect the export channel (Tayeb 2000, 159; Selin 2004, 22-24).

There are advantages but also some disadvantages when using export representatives outside of the company. The company does not need to tie any work force for the export process and the company can get information about the market and potential customers easily, to name a few advantages of using a representative. To name some disadvantages when using a representative are that, first, the representative might not tell the truth about the market conditions, second, controlling the representative could be hard, and cooperation could suddenly end because of lack of interest of the other party. Figure 2 illustrates the different optional channels to do international business. (Tayeb 2000, 159; Selin 2004, 22-24).

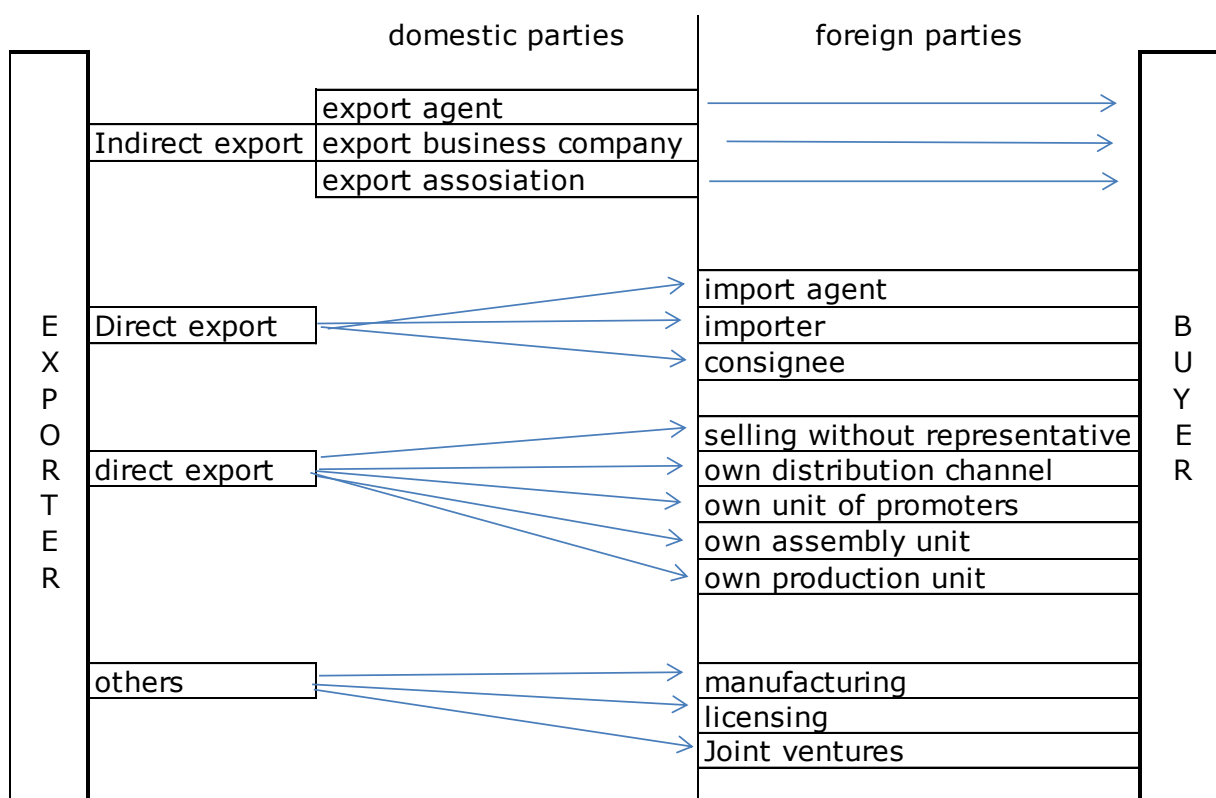


Figure 2. Optional Channels to do international business (Selin 2004, 61-69).

Some of the optional exporting methods are introduced in the next sub-chapters, 2.2.1-2.2.6.

2.2.1 Indirect Export

In indirect export, the company uses export houses, confirming houses, buying houses and piggybacking to do international business for the company. Export houses are firms which buy products from domestic companies and sell those goods later to the foreign market. Confirming houses act for the foreign buyer and are receiving commission as a payment method. Buying houses works on behalf of the foreign client for example department stores and foreign government agencies. All of these actors do international activities for exporting company. (Tayeb 2000, 159; Selin, 2004,22; Griffin & Pustay 2013, 470)

Indirect export is a passive way to do international business and it is a good way to do export to countries with long distances. In this case, the company does not actually do any international activity because it gives its foreign operations to the

other companies. This is especially good for small companies, who want to do international business because it needs only little knowledge of export business but also it is a cheap option to do international business. (Tayeb 2000, 159; Selin, 2004,22)

Indirect export is also used in some occasional orders. There is also very little risk because the company does not need to handle the activities of export. Disadvantages of the indirect investment are, that the producer does not get any direct contacts to the foreign customers and market. Also the exporting company cannot control local marketing issues and receive only little feedback from the market. (Griffin & Pustay 2013, 470; Selin 2004,22)

2.2.2 Direct Export

For companies who have more knowledge and want to control their international operations, direct investment is a better choice. There are two different kinds of direct investment. When selecting the direct export, the company could be selling directly to foreign end users, but it could be also using a foreign broker. In direct export product are typically sold through an independent local agent or distributor. Also using some specialized company representatives and sales affiliates are common. (Tayeb 2000, 159; Selin, 2004, 24; Griffin & Pustay 2013, 470)

Also using a foreign broker, it gives knowledge about the export business and it gives a direct contact to exporting country. However, the exporter probably does not have any contact to the end users and the broker could give limited information and it is also quite an expensive option. Direct export requires more knowledge but language skills too. The export company has to be patient but also it has to make long distance planning to be successful in direct export. When using a foreign broker an agreement is done, which includes rules and compensations are determined. Exporting company can easily follow the trend of the targeted market but also the whole process works more easily when there are only two parties involving instead of three (Tayeb 2000, 159; Selin 2004, 24; Griffin & Pustay 2013, 470)

Other way of direct export is when company does not use foreign broker but sells products directly to the consumer. This way of export needs the most of the skills of exporting but also a lot of knowledge. This type of export ensures the easy way for company to control the whole process when there are no other parties involving. Due to that costs are reduced. (Tayeb 2000, 159; Selin 2004,24)

2.2.3 Distribution Channels

There are different distribution channels such as agents, export business company, importer, retailer and agency. All of these have different activities in export business to help an exporter to do international business. Next, couple of these channels are discussed in detail.

The agent works for a principal company and distributes its products or services. The agent is typically a local who is paid on commission. Agents have good local knowledge of the market and they have permanent presence on the market. Agents are responsible to inform about current market, prices and regulations to the principal company. Customers of the agents are retailers, wholesalers and different distribution channels. However, principal company needs to take care of everything involving the export such as logistics, invoicing, customs, documentation etc. As disadvantages to use agents are for example difficulty to find a suitable and loyal agent, the agreement with an agent could be costly and hard to terminate. The export business company works for itself, buy product and distributes its self to foreign market. This means that the producer do not have an option to know its consumer and market because the export company conduct the whole process. (Selin, 2004, 63-66; Pehkonen 2000, 50-51; Tayeb 2000,161; Griffin & Pustay 2013, 470)

2.2.4 Licensing

Licensing is also an option to do international business. In that case the company sells the rights to use the brand name or produce the products of the licensor. So licensing means the sale of a right to use a certain property knowledge. Companies have usually registered their intellectual property as a means of established the ownership rights. In licensing agreement licensor and licensee makes a binding agreement which determine what is transferred to the licensee under which

conditions. It is important to notice that the licensee cannot sell the intellectual property; it has only the right to use it. Intellectual property can be patents, trademarks, designs, copyrights, trade secrets and know-how for instance. (Selin 2004, 26-28; Welch, Benito & Petersen 2007, 97, 100-106; Griffin & Pustay 2013, 36)

Benefits of licensing are low starting costs, an easy way to reach the market and using well-developed concepts and know-how. Some drawbacks could be that partner could become a potential competitor and licensor could have difficulties to control production and quality. There could be also some hidden costs such as training and support costs, which could be hard to estimate (Selin 2004, 26-28; Welch, Benito & Petersen 2007, 97, 100-106; Griffin & Pustay 2013, 36)

2.2.5 Franchising

Franchising is a contractual method to do international business. This concept means that the franchisor transfers the whole business system to the franchisee including trademark, training and know-how. The franchisee can start an independent business under the franchisor's control and supervision against certain payment and royalties. (Welch et al. 2007, 52; Griffin & Pustay 2013, 36)

There are two different types of franchising, first generation and second generation franchising. The first generation franchising means that franchisee buys the right to use the trademark and brandname of the franchisor. However, support and guidance is limited. The second generation franchising is more comprehensive package. In this concept the franchisor provides more than the trademark and brand name. Also the franchisee receives more detailed instruction and a training plan than in the first generation franchising. Figure 3 illustrates the franchising package and relationship between franchisor and franchisee. (Tayeb 2000, 164; Griffin & Pustay 2013, 36)

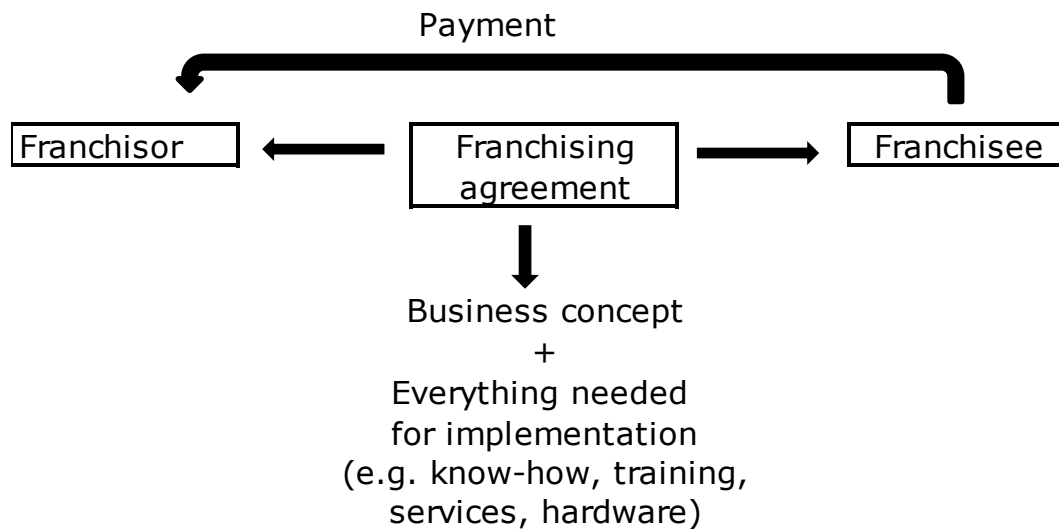


Figure 3. The Franchising package (Welch et al. 2007, 53)

As Figure 3 shows, the franchisor and franchisee establish an agreement which determines how the franchisee can use the business concept and what is included in business concept such as using trademark and brand name but also training and other supporting activities. There are also different ways to pay the payment. One option is up-front payment, up-front payment with added royalties which is a percentage of sales or charge of supplies or payment could be some other mark-ups and contribution such as rent or finance charges. (Welch et al. 2007, 53)

2.2.6 Joint Ventures

It is very common to build joint ventures between international companies. The joint venture parties are agreed what and how parts are involved and how do they invest in the joint venture. The joint venture could be built also for a certain period of the time and when it is not useful anymore, the contract can be terminated. Joint ventures are beneficial because the company can only invest its own share instead of investing everything alone. Because of less invested money, the risks are smaller. (Selin 2004, 29; Griffin & Pustay 2013, 36)

Expanding to some markets could be difficult but building the joint venture, entering the market could be easier. However, managing the joint venture could be troublesome. The organization behavior could be different in managing that could cause problems. The know-how of the companies could be on a different level,

which cause training and education expenses to other party. (Selin 2004, 29; Griffin & Pustay 2013, 36)

2.3 Analyzing the Export Process

When the company is starting to planning internationalization and its export processes many things have to be considered. It is important that firstly the company analyzes its own processes and current situation. After analyzing the company's resources and current situation, the company needs to do marketing research and find a suitable market for starting its foreign operations. When the company has decided the suitable market it needs to focus on budgeting and timing. The company needs to focus on how to gain enough money that exporting products is beneficial but also in what time period. When a budget and a schedule is made, a marketing strategy need to be chosen. The marketing strategy needs to be suitable for the budget and the set targets.. When careful pre-planning is done, export planning is made and then implementation is started. After active planning and real operations, it is important to remember to control and monitor the process actively. Figure 4 shows the six main stages of export process, analyzing the current situation, marketing research, budgeting and scheduling, choosing the marketing strategy, planning the export and controlling and monitoring process. In next sub-chapter 2.4 all these six stages are introduced. (Selin 2004, 94,96-98)

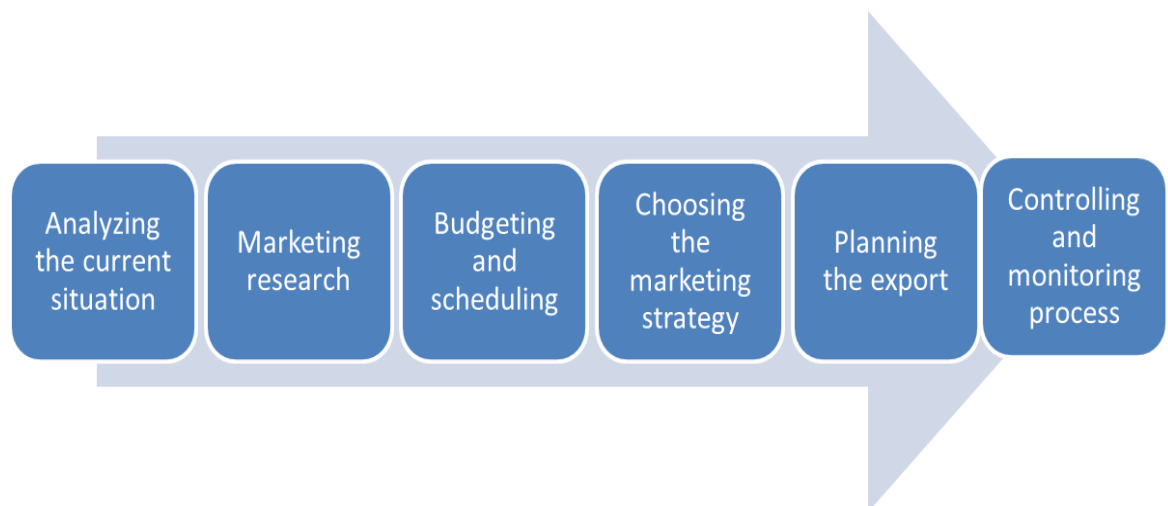


Figure 4. The Export process (Selin 2004, 94-102)

2.4 The Main Phases of the Export Process

When planning the internationalization, the company must consider its own human resources but also its economical capability. The first stage is the analyzing the current situation. The crucial point when analyzing the current situation, is that company realizes its capabilities and is honest to itself. It is important that company ask questions like why company should expand to foreign market, is this the right time, what kind of resources the company has and what will be the best way to do expansion to foreign market. The company should also consider its human resources, such as language skills, know-how of export etc., because those are key factors when doing export. (Selin 2004, 94-95)

The second stage is the Marketing research. The marketing research determine the target market of exported products but also suitable destination country and market. Marketing research helps the company to find suitable product portfolio to potential market but also it is good opportunity to get familiar with foreign market. Main reasons for difficulties in foreign market are lack of knowledge and faulty impression of the market and the whole process. (Selin 2004, 95; Griffin & Pustay 2013, 452)

The product development could be seen as a part of the marketing research because when the company is doing marketing research, it also research if their current product is suitable for that market or if modification is needed. Product development of the companies has to correspond to the demands on the market such as attraction and profitability of the product. This causes a demand of constant product development and increasing of amount of innovations. Product development is not only innovating new products but also developing current products and product groups by making them better and more profitable. Development of new products and product groups are based on changing demands such as demands of customer, reduction of costs and new standards and laws. Like Figure 5 shows each demand includes factors and these factors vary depending on field of industry. For example, in the brewery business changing laws and regulations are important factors in the business, which need to be considered. It is also important

to react to changing demand of customers such as trends. (Huhtala & Pulkkinen 2009, 85, 119,125; Griffin & Pustay 2013, 482)

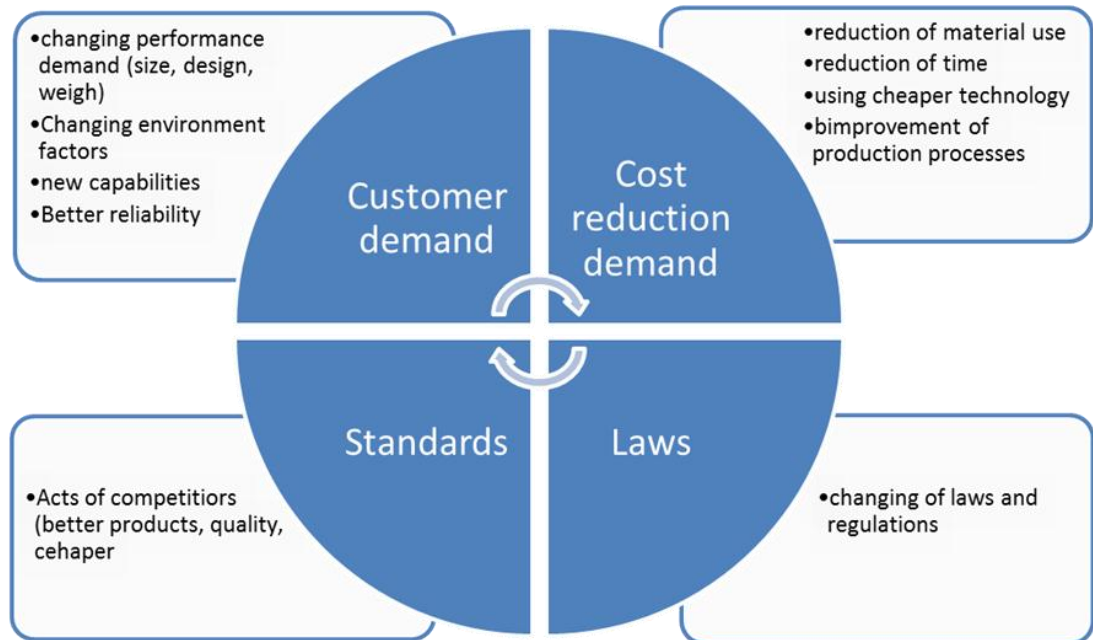


Figure 5. Factors which changes the demand (Huhtala, Pulkkinen, 2009,125)

Current, global product development and production has grown due to cheaper labor in developing countries, attractive investment opportunities and companies willingness to be close at certain market. This could cause changes in logistics and production because they might not meet needed demand of new environment. It is also important to know the market where acting because of different cost concept and product life cycle. Partnership with a local company could help in the process because market and its characteristics are familiar to the other party already. (Huhtala & Pulkkinen 2009, 125-130; Griffin & Pustay 2013, 482)

When a decision for a new product is done, whether it comes outside or inside of the company, each department is playing a crucial role. In common product development, potentiality of certain market is recognized and certain product or product group is chosen to fulfill that demand. This process includes separate stages such as designing, concept and process development, detailed designing,

testing, polishing up and starting the production. (Hill 1991, 8-9; Huhtala & Pulkkinen 2009, 89, 125)

The third stage of the export process is budgeting and scheduling. Without well-planned planning, schedule and budget, company cannot achieve the wanted results. If the marketing plan is done properly it can show marketing requirements, which are needed for product launching for the new market and starting the export process. The main reason for an unsuccessful export process is usually a lack of economic resources. Because of this, it is important to allocate how much the company is willing to invest its money and other resources to export process. The company needs to plan far into the future, because the export process is a long process and might be unprofitable at first. (Selin 2004, 96-97)

When previous three stages, analyses of the current situation, marketing research and budgeting and scheduling are completed, the company has to choose its marketing strategy in the foreign market. This is the fourth stage of the process. It is important to know what to offer and to whom but also which aspects are important to target group. The company needs to profile itself in the foreign market and has to think about how the target is reached. All these factors are important and need to be included in the budget and the set targets. At the beginning it is better to narrow down the marketing strategy, instead of breaking it down as widely as possible. In that way, it is easier to control and less resources are needed. (Selin 2004, 97)

When the basic requirements are allocated and the decision to start exporting is done, it is important to try purposeful and well planned export activities from the beginning. The export process plan is an essential part of the export process. It is important that targets are set at a realistic level, not too high but should not either be too modest. The biggest challenge in the whole process is probably that the future is hard to predict. Plans are based on estimations but also hopes and believes. The benefits of well-planned process are for example important things are not forgotten, opportunity to face mistakes and surprises is reduced, enough resources for each part in the export process are given and due to that the costs are

easier to control. By having a detailed plan, monitoring and controlling the whole process is easier. (Selin 2004, 99-102)

Selin (2004) presents the concept SMART, which could be used for well-planned planning. She claims that the export plan should be specific, measurable, action oriented, realistic and well scheduled. When a customer oriented view is wanted to include in the plan, SAFE is the right criteria method. Word SAFE means that the plan is suitable for the customer, but also the other parties involving. It is feasible and enduring. (Selin 2004, 100)

When the export process plan is divided, it makes the decision of activities easier. Expensive mistakes could also be avoided or anticipate. The export process plan should include elements such as scope of the export process, clear targets, actions to achieve set targets, budget and responsible person. The scope of the export process means that the whole project is described clearly. In this way the project is easier to control and unnecessary things are deleted but also activities are effective and profitable. When measuring the results, it is easier when targets are clearly stated. Targets should be stated in measurable units such as in profitability and amount of real contacts. However, targets could be also building the retail and agent network. In this case measurable could be for example certain amount possible agents. It is important to know how to achieve the set targets. When a project is divided into smaller sections, each part has to have clear actions how to achieve the main target. The export process is a long process and because of this, actions need to be planned to time period from one to three years. (Selin 2004, 101-102)

Budget acts a crucial role in the export process. The budget is hard to plan very clearly. However, the clearer the budget is, the easier the targets are achieved and controlled. The budget is built from different factors such as successful information collection, a well-planned export process which includes clear targets and well planned schedule. The budget includes costs but also achievable profits. The responsible person has a crucial role in whole process. The whole process needs to have a responsible person but every divided factor needs to have its own responsible person. If there is not a set person in charge, probably nothing is done or everybody does the same thing. It is not enough that persons just do their own job

alone but they have to also report the achievements to someone who control the whole project. (Selin 2004, 102)

When budget and targets are set, production has to establish to the same level in order to achieve best possible production capacity. Production could be seen as a transformation process where inputs are changed to outputs together with different support functions. Complexity of the process depends on different factors such as the size of organization, nature of the product, technology used in production functions and how long and how finished the product is when moving out from factory. Figure 6 illustrates the production process. (Hill 1991, 3-4; Hill, 1993, 5)

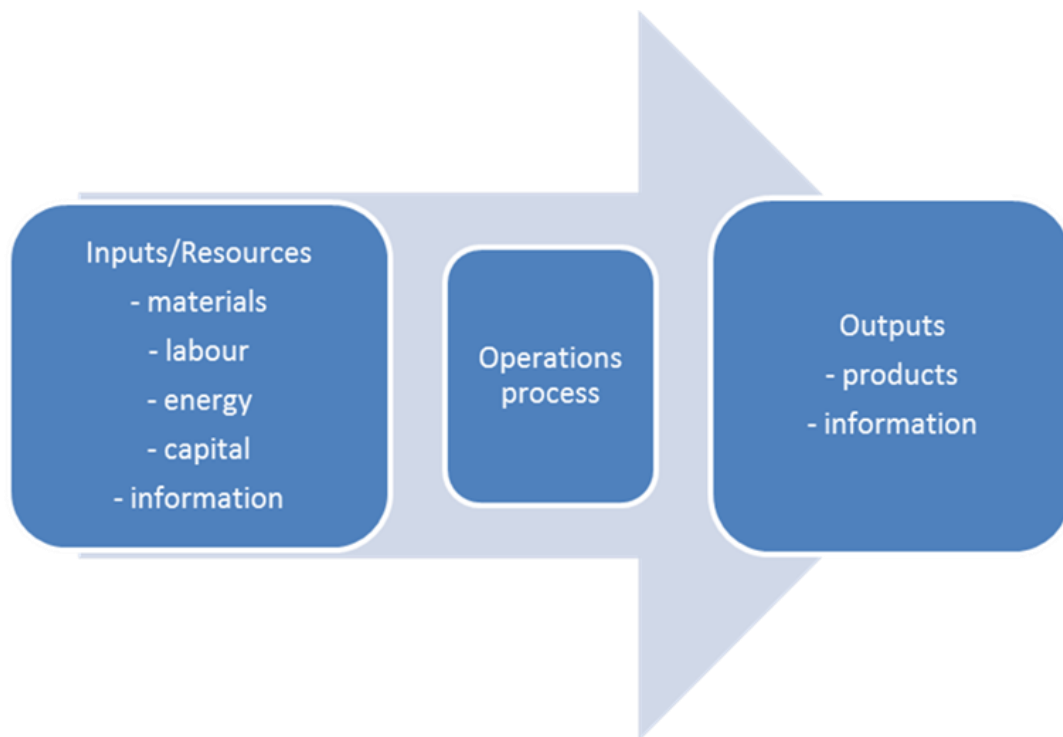


Figure 6. Outline of the production process (Hill 1991, 3-4)

Different inputs such as labor, capital, and materials are changed to outputs such as product through operations process. Managing this process is important to reach certain quality level and be cost effective. (Hill 1991, 3-4; Hill 1993, 5)

After the production capacity is set to the suitable level, process needs to be controlled and monitored. Controlling and monitoring is important part of the export process. Certain measures and instruments to control the process need to be de-

veloped. Those measures and instruments help the company monitor its results but also profitability in foreign market. It is important to understand that when starting the exporting, it is a long lasting process. Results will not come quickly. Budget is good basis for controlling. It is important to be very precise when controlling the achievements. (Selin 2004, 98; Vahvaselkä 2009)

3 THE ROLE OF THE LOGISTICS

Logistics defined by Council of Logistics Management, CLM,¹ means “ the process of planning, implementing and controlling the efficient, effective flow and storage of goods, services and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements” There are many different definitions for logistics such as business logistics, physical distribution, materials management, distribution engineering, logistics management and supply-chain management. Logistic is not concern only movement of the product but also managing it and forecasting demanded products. Important aspect of logistic is to understand logistical needs of customer, instead of consumer. (Johnson, Wood, Wardlow & Murphy 1996, 5,21; Garver, Williams, Taylor & Wynne 2011; Ballou 2004, 311)

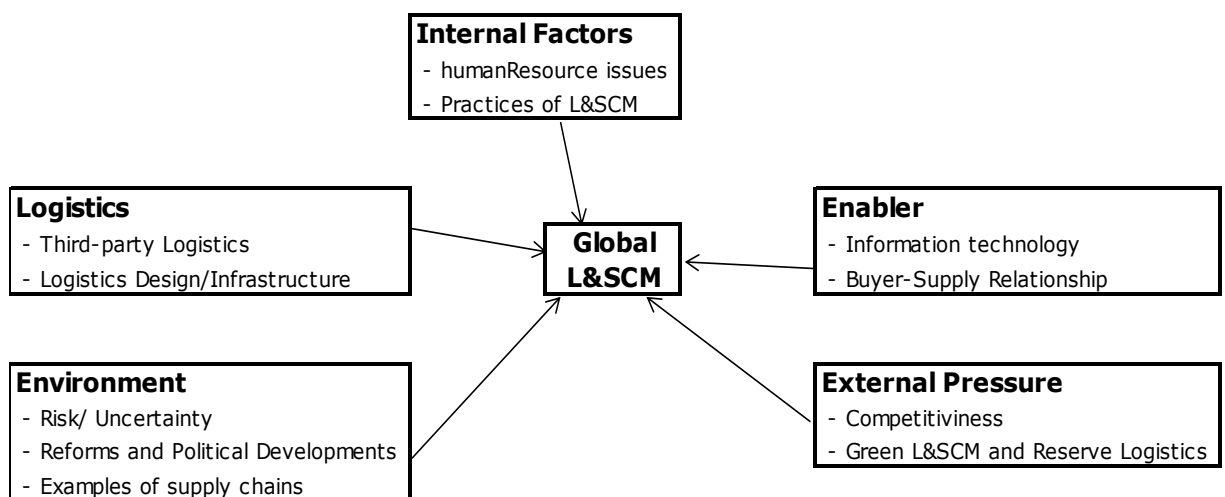


Figure 7. The framework for the analysis of the Global L&SCM literature (Schoenherr 2009, 30,2,6)

The Figure 7 shows some important aspects of global logistics but also elements related to supply chain management. In this chapter following aspects, such as packing, storage, delivery of the products are discussed.

¹ Council of Logistics Management is well-known organization for professional of logistics and physical distribution. (Johnson;Wood;Wardlow;& Murphy, 1996, s. 20)

3.1 Role of the Packing

It is important to consider the packing of the products, especially when delivering easily breakable goods. Costs factors determine also package development and it is important to know how to optimize them. Important factors to consider are for example transportation stress, physical features of the package, legal aspects and costs. Packing can be thought as building-blocks concept. This means that smallest unit of package are for consumer or retailers and could be packaged inside some other package. The total effect of the building-block hierarchy is to protect the good for example during the delivery or inventory. There are ten important functions for packing.

1. Enclose the material. Protect items from other items but also vice versa.
2. Protect from unwanted movements inside the container while transit.
3. Protect from unwanted contact of other items.
4. Cushion the goods from vibrations and other shocks.
5. Support from weight of other packages piled above.
6. Right positioning of the content to give the maximum protection for items.
7. Provide coherent weigh distribution inside the package.
8. Provide enough space for labels for shipping and identification.
9. Important to be tamper-proof, to increase the evidence of notification of tampering.
10. Important to be safe for consumer and others.

(Johnson et al. 1996,138, 140-142; Pehkonen 2000, 156-157)

If packing the goods in right way is important, the labeling is also crucial. Because of packing, content of package cannot be seen, and due to that labeling is important especially in goods, which are easily breakable. Batch numbers make products more easily traced in case of product recall. Some regulations determine also that consumer package should include certain information such as weight, content information and instruction for use. Bar codes which includes information of the product is commonly needed. However, two dimensional bar-codes are placing one dimensional bar codes because behind that code could be stored more

information about the product. (Johnson et al. 1996, 149-150; Pehkonen 2000, 156-157)

3.2 Role of the Storage

Although there are many reasons why companies are having storage, in recent years inventories have started to be seen as a unnecessary and waste of money and space. Reasons such as improvement of customer service and reduction of costs might be seen as arguments for keeping inventories. Firstly, companies might not have any system to respond customers demand fluctuation and inventory is a good way to meet customer expectations for product availability. Secondly, companies can produce bigger amount of products in same time and this could reduce operating costs. Having inventories also fosters economies in purchasing and transportation. Maybe the most important reason to have inventories is prevention for unplanned and unanticipated shocks. However, some arguments against inventories have risen such as high costs of inventories, waste of space, quality problems and problem to be overstock, like mentioned before. (Ballou 2004, 328- 330; Johnson et al. 1996, 406-407)

In international business the movement of products could not be smooth and there could be risk for uncertainties, misunderstandings and delays. Because of these, safety stocks are important and might need to be greater. Tailoring the products for a certain market is important to consider. Is the company producing so called “one size fits all” products or is there tailored product for each market? It is important to know how to manage the inventories because good management could prevent companies to face the drawbacks keeping the inventories. Firstly, the pull approach is introduced as a management philosophy. In the pull approach demand tries to be forecasted and fluctuation of the demand is seen important to consider when responding to increase or to decrease production. In the push strategy the timing and order sizes are not well coordinated with size of the production, economical purchase quantities or size of minimum orders. To help keeping track of the international inventories, different computer programs have been developed. (Johnson et al. 1996, 406-407; Ballou 2004, 333-334)

3.3 Role of the Delivery

Deliveries are an important role of export which should be controlled very well because it could be the competitive factor in international market. Planning the delivery and choosing the most suitable way of delivery could reduce costs but also the risks. When exporting products, delivery distances could be extended and market areas could be wider. When developing cooperation between different transportation modes and routes, delivery and handling times are reducing and the competitiveness of the products increases in international market. (Pehkonen 2000, 112; Selin 2004, 183)

When choosing the mode of delivery, things such as amount of the products, size and weight of the products, destination, value of the products, delivery route and reliability and monitoring capability effect the decision. When all those things are thought about carefully, the most suitable mode of delivery is chosen. Exporter could choose road transportation, air transportation, maritime transportation, rail-road transportation or combination of all of those. In case of urgent delivery different courier services are available or when package is small mailing by post might be the best option. (Selin 2004, 186; Pehkonen 2000, 112)

3.3.1 Risks in delivery

There are a lot of risks when exporting products especially, when the delivery time to final destination is extended. There are risks when delivering the products but there are also some risk factors in terms of storage, in information technology, conditions of final destination but also validity of documentation. There are also opportunities that delivery never arrives or final destination is reached late. Also products could get lost or they could be broken. The exporter should think all of these factors because they could be expensive to exporter or importer, depending on the terms of delivery. As mentioned before, some final destination countries could increase the risk such as hard delivery route to destination or conditions of the country. In case of an accident, incoterms are a useful tool to determine who are responsible and what. Incoterms determine the risks and responsible between buyer and seller during the delivery. Incoterms 2010 are valid at the moment. (Selin 2004, 184; Griffin & Pustay 2013, 269)

Many risk factors could be eliminated or reduced beforehand in early phase. Incoterms are a good way to reduce risks and transfer the responsibility to the other party. When each party's risk and responsibilities are known, each party can start actions to avoid risk factors. Avoiding the damages of the delivered product, appropriate way of outer package, which protects the product as much as possible has important role. Each company can also control the delivery process. Company can participate when products are loaded or keep in touch to different stage of the delivery etc. Right labeling of package prevent for different damages such as breakings or wetting. (Selin 2004, 184-185; Griffin & Pustay 2013, 469)

3.3.2 Modes of delivery

The decision of suitable modes of delivery has an important role. In this chapter the possible transportation modes are presented and its risks are valued but also different associations which help or improve different transportation modes are discussed. In addition suitable incoterms are considered.

The road transportation is a good delivery mode when delivering cargo. Road transportation is good and relatively fast option when for example delivering product domestically or in Europe. Road transportation is also a quite flexible mode and terminal network is very dense. Tracking of the delivery is easy and in some case even necessary because of tight schedules. Drawbacks of the road transportation are expensive prices and stress for package when transporting long distances. Sometimes traffic in roads could cause passing problems. CMR is international cargo agreement and determines the sender, forwarder, and recipient's obligations and responsible. CMR is confirmed by waybill, which is done in three originals. Depending on the amount and size of cargo, there are two different types of trucks, full-trailer and semitrailer. (Pehkonen 2000, 135,137-138; Selin 2004, 186-187)

Air transportation is good option when delivering urgent, expensive or easy perishable products. It is fast, reliable and it has a dense network. However, it is quite an expensive mode of transportation. There are three different types of international air freight operations for transportation such as chartered aircraft, scheduled air carrier and integrated air carriers which are specialized for carrying parcels.

Chartered aircraft are mostly used for livestock deliveries and are quite expensive option. The scheduled international air carriers are negotiated together with International Air Transportation Association. International Air Transportation Association (IATA) consists of about 250 airlines. IATA is planning the route scheduling, determining the cargo and passenger prices but also drawing the coherent transportation rules and documentation. Common, needed documentation for air transportation is Air Way Bill (AWB). It is done in three originals and made in many copies for transportation, customs, forwarding companies and banks. Only airline or freight forwarding company can do the documentation. AWB is not a negotiable document. Conditions of contract are behind the original AWBs. Transporting fee is determined by gross and volume weight of the package. (Pehkonen, 2000, s. 149-150; Johnson et al. 1996, 393-394; Selin 2004, 188,149)

Railroad transportation is used for big and heavy deliveries. This mode of transportation is relatively cheap and reliable. This mode is good when delivering domestically but when delivering abroad, different size of tracks might be the problem. International railroad transportation convention, CIM is used in many countries which mean that transportation rules and regulations are same in those countries. The Intercontainer-Interfrigo (ICF) is marketing organization for European railroad's cargo and different wagon deliveries. Fees are calculated in every countries own currency and according to their own tariff system. There are different transportation equipment used in railroads such as covered wagons, low-sided open wagons, tall-sided open wagons and container wagons. (Selin 2004, 191; Pehkonen 2000, 141,147)

Maritime or ocean shipping has developed plenty past decades. There has been significant development in shore side cargo handling techniques but also different vessel sizes have increased. There are two different modes of delivery, tram transportation and liners. In liner transportation, a ship goes between determined harbors and used documentation is bill of lading, which includes delivery conditions such as certificate of receiving the cargo, commitment to deliver cargo to determined harbor and hand over the cargo to legal guardian of bill of lading. There are different ship types depending on cargo, way of loading and unloading. Dry cargo

ship includes bulk carriers which are built for bulk deliveries. Bulks are loaded and unloaded in lo-lo method which means lift on and lift off. Other method is ro-ro which means roll-on and roll-off. Other type of ship is lash-ship, so called barge vessel. Container ships are the most common way of maritime delivery. Containers are filled with packages from different suppliers. Most of the containers follow the ISO-standards which determine volume, outside measurements and the mounting system. Measurements are announced in feet. Cargos are announced per 1000 kilos but also in cubic meters are used. There are also some other fees such as currency adjustment factor (CAF), bunker adjustment factor (BAF), the risk of the war and traffic adds. FLC means that container is delivered to consignee, which load the container and delivers it to receipt. LCL means that package is sent to harbor to be loaded in container. (Pehkonen 2000, 115-117, 121, 124; Johnson et al. 1996, 399)

Delivering modes like courier services or mail services are used in special occasion. Courier services are involving with air transportation but it is delivering small custom cleared products and documents fast to the final destination. Courier services include transportation, custom clearance and delivering to final destination in fixed price. Express Mail service is easy when sending small packages. It is also relatively fast option especially inside the European Union. (Selin 2004, 191-192; Pehkonen 2000, 153)

3.3.3 Documentation

Proper documentation should be considered carefully. In the worst cases products might not arrive to final destination because of poor or false documentation. The used documents are depending on requirements of exporting and importing countries. This chapter will introduce documentation needed in export and import trading. (Seyoum 2009, 197)

Air waybill is document, which shows contract between the shipper and air carrier. When shipper is handed cargo over the freight consolidator for delivery, this documentation is obtained from consolidator. Air waybill is not a negotiable and it is not suitable to use as a collection document. (Seyoum 2009, 197)

Bill of Exchange or so called Draft document is an unconditional written order by one party that orders the other party to pay some amount of money to the drawer or maybe to third party. Typically the drawee is the buyer from overseas and the drawer is the exporter. In case when a draft is payable and dated future, draft is called time draft. If it is payable on sight, it is called demand or sight draft. (Seyoum 2009, 197-198)

The most important transportation document is called bill of lading. It is a delivery receipt between the shipper and the carrier, which determines the duties and obligations of both parties but the signed bill of lading is also a legal proof for shipper that a carrier has received the freight. There are two different ways to write the bill of lading, the straight bill of lading and the order of bill of lading. The difference between these two is that in the straight bill of lading, consignee is named and delivery could not be delivered anywhere else. Due to this, it is not negotiable, but in order bill of lading, consignee is not specified. Due to this it is negotiable. There are also three different types of bill of lading, clean or cloused bill of lading, inland bill of lading and through bill of lading. Clean or cloused bill of lading is normally filled out in advanced by shipper. The carrier will check the goods and if all products are in good condition, the carrier will issue clean bill of lading. If some errors occur, the carrier is issuing cloused bill of lading to the shipper. The cloused bill of lading is not acceptable to third party. The inland bill of lading is issued by the railway carrier or the trucking company. The exporter is issuing this document to consign goods to forwarder who delivers goods by rail to named place for later shipment. The first carrier is typically responsible for delivery of the goods, to the final named destination. (Seyoum 2009, 189-199; Johnson et al. 1996, 299)

Some invoices are not mandatory but some countries could require them such as consular invoice, certificate of origin, inspection certificate and insurance certificate. Sometimes a consular invoice is needed for customs, statistical or other purposes. If this type of invoice is needed, it is obtained from consulate of the country, where products will be delivered. Invoice is obtained also in language of destination country. Certificate of origin, which proofs where do the products come

from, needs to be eligible for preferential duty treatment. Certificate of origin is a statement which could be obtained from local chamber of commerce. Sometimes purchaser requires that goods need to be inspected by third party. In this case, inspection certificate is obtained. If inspection is needed, it is stated in contract and quotation. In case when the exporter provides the insurance, insurance certificate needs to indicate the type, terms and amount of insurance coverage. Insurance certificate is negotiable and needs to undersign before giving it to bank. (Seyoum 2009, 199)

Commercial invoice, dock receipt, destination control statement (DCS), Shipper's export declaration (SED), Pro forma invoice, export packing list and manifest for instance are mostly needed documents when exporting products. The commercial invoice is an invoice for the commodity from seller to the buyer. This invoice needs to include basic information about transactions such as description of the goods, terms of delivery and payment, date of order and number of order. The importer needs to have this invoice to do custom clearance, to prove ownership and to arrange the payment. Commercial invoice is also used to determine the value of commodity for assessment of customs by governments of importing country. (Seyoum 2009, 199-201)

Manifest is a detailed document, which summarize the total cargo of the vessel for purpose of customs. It includes the conditions of the cargo, and summarizes heavy lifts and locations. Dock receipt is used when accountability needs to be transferred. This document is issued by international carrier after when goods are delivered at the dock or warehouse of the carrier. (Seyoum 2009, 200-201)

Destination control statement (DCS) notifies the carrier and other party that goods need to be delivered only to a certain destination. This statement is stated on commercial invoice, bill of lading, air way bill and shipper's export declaration. Shipper's export declaration (SED), which is mentioned before, is used for controlling certain exports and to compile trade data. When shipment is valued more than 2500 U.S dollars, SED is needed. In case of dangerous cargo, SED is required. (Seyoum 2009, 200)

Pro forma invoice is provisional invoice and is sent to potential buyer usually after request for a price quotation. This document is also needed when buyer is obtaining a foreign exchange or import permit. In this invoice, quotations could be changed without notice because a lag between time of quotation prepared and when the shipment is made to the customer. (Seyoum 2009, 200)

Export packing list identify and itemize the package but also shows the measurements of the package. This document is used both in exporting and importing to ensure the cargo weight, the volume and delivery of the right commodity. This document needs to be attached to outside of the package in waterproof envelope or needs to be inside of the package. (Seyoum 2009, 200-201)

3.3.4 Incoterms

Incoterms 2010 are used both in the domestic but also in the international trade. Incoterms are important to consider because they determine the obligations, risks and costs of the trading parties. Incoterms 2010 are divided into two groups, the rules for any mode or modes of transport and rules for sea and inland waterway transport. The first group, rules for any mode of transport consist of seven different rules and second group rules for sea and waterway transport consist of only four rules.

In a sale contract, reference to a Incoterms 2010 indicates the both parties' obligations and risks but also costs in the trade of goods. If Incoterms 2010 are used in the contract, it has to be stated clearly. After decision to use incoterms 2010, appropriate incoterm for goods need to be decided. After that place or port, where the products are delivered, need to be clearly specified. The important aspect to remember is that Incoterms rules do not give a complete contract of sale. Table 1 presents all rules for delivery modes both, rules for the any modes of delivery and rules for sea and waterway delivery. This sub-chapter will introduce briefly both of the groups of incoterms and each incoterm individually. (International Chamber of Commerce 2010, 120-123)

Table 1 Rules for delivery modes (International Chamber of Commerce 2010, 123)

Rules for any mode or modes of delivery

- EXW – Ex Works
- FCA – Free Carrier
- CPT – Carriage Paid To
- CIP – Carriage and Insurance Paid to
- DAT – Delivery At Terminal
- DAP – Delivery At Place
- DDP – Delivery Duty Paid

Rules for sea and waterway transport

- FAS – Free Alongside Ship
- FOB – Free On Board
- CFR – Cost and Freight
- CIF – Cost Insurance and Freight

Firstly, the rules for any mode or modes of transport are introduced. Ex Work (EXW) is good ruler for the seller because it represents the minimum amount of the obligations for the seller. The seller places the goods ready for buyer to collect them in seller's works or warehouse etc. The buyer takes care of the loading of the goods and does the custom clearance for the exported goods. The buyer bears all the costs and risks of the delivery. This rule is good for domestic use but FCA is more appropriate in the international trade. (International Chamber of Commerce 2010, 131)

Free Carrier (FCA) is used when the third party is used. This means that the buyer nominates the carrier or another person, who collect the goods from seller's premises or some other named place where the seller has delivered the goods. Rule of FCA requires that the seller does the custom clearance for exported goods. How-

ever, the seller has no obligation to do custom clearance for the imported goods, pay any import duty or do any other import customs formalities. (International Chamber of Commerce 2010, 140)

Carriage Paid To (CPT) means that the seller is delivering the goods to the third person, the carrier or other named person by the seller at named place. The seller has the obligation to pay the costs of carriage. In all C-clauses obligation of the seller is only to deliver the goods to carrier not to the final place of destination. An important aspect to notice in this clause is that the risk and costs are transferred in different place. It is important to clearly indicate the place, where the risks pass and the place where the seller pays the carriage. This clause also requires that seller does the custom clearance but has no obligation to involve import formalities. (International Chamber of Commerce 2010, 149)

Carriage and insurance paid to (CIP) means that the seller delivers the goods to the carrier or other named person nominated by the seller at an agreed place. The seller is also responsible to take the insurance cover against buyer's risk of lost or damaged goods during the delivery. Under CIP, the seller needs to take insurance which has minimum cover. If the buyer wants to have better insurance which covers more, the buyer has to take it him/herself. This clause has also two critical points because the risks and costs are not transferred in the same place. It is important to clearly indicate the place, where the risks pass and the place where the seller pays the carriage. This clause also requires that the seller does the custom clearance but has no obligation to involve import formalities. (International Chamber of Commerce 2010, 157-158)

Under the clause of Delivery at terminal (DAT) the seller delivers the goods to terminal named by the buyer and also unloads the goods. Terminal could be any place, quay, warehouse, container yard or road, rail or air cargo terminal for instance. The seller bears the risk from the beginning to the time when the goods are unloaded in named terminal. This clause also requires that the seller does the custom clearance but has not obligation to involve import formalities. (International Chamber of Commerce 2010, 169)

Delivered at place (DAP) means that the seller delivers the goods to the buyer for ready to unload at the named place. The seller does not need to unload the goods from the carriage. The seller is responsible for all the risks until the goods are delivered at the named place. This clause also requires that the seller does the custom clearance but has no obligation to involve import formalities. However, if the parties agree that the seller does also all import formalities, DDP-clause is used. (International Chamber of Commerce 2010, 177)

The last clause for first group of incoterms 2010 is delivered duty paid (DDP) which means that the seller delivers the goods to disposal of the buyer and the goods are cleared for import and are ready for unloading from the carriage at the named place. The seller is responsible for all the risks and costs but is also obligated to do custom clearance for the export as well as for the import. This clause represents maximum obligations for the seller. It is important to notice that this clause should not be used if seller is not capable to obtain import clearance. VAT or other taxes payable upon import are for the seller's account if the parties have not agreed otherwise. (International Chamber of Commerce 2010, 185)

The second group of the incoterms is rules for sea and inland waterway transport. This group is consisting of four different clauses, FAS, FOB, CFR and CIF. These incoterms could be used only for sea and inland waterway transport. Free alongside ship (FAS) means that the seller delivers the goods alongside the vessel, quay or a barge for instance, nominated by the buyer at the names port or shipment. The risk passes from the seller to the buyer when the goods are alongside the ship. If the goods are in the container, the seller typically hand the goods over to the carrier, not alongside the vessel. In that case FCA rule is used. This clause also requires that the seller does the custom clearance but has no obligation to involve import formalities. (International Chamber of Commerce 2010, 132, 195)

Free on board (FOB) means that the seller delivers the goods on board the vessel nominated by the buyer at named port or procures the goods already delivered. The risks and the costs are transferred when the goods are on board the vessel. If the goods are in the container and handed over the carrier before they are on board, FCA clause is used. This clause also requires that the seller does the cus-

tom clearance but has not obligation to involve import formalities. (International Chamber of Commerce 2010, 203)

Cost and freight (CFR) means that the seller delivers the goods on board or procures so. The seller is responsible for the risks until the goods are on board the vessel. However, the seller has to pay all the cost and freight until the goods arrive the named port of destination. This clause has two critical points because the risks and costs are not transferred at the same place. If the goods are packed into the containers and handed over the carrier before boarding to vessel, CPT clause is used. This clause also requires that the seller does the custom clearance but has not obligation to involve import formalities. (International Chamber of Commerce 2010, 211-212)

Last rule used for sea and inland waterway is cost insurance and freight (CIF). This rule means that the seller delivers the goods on board or procures so. The seller is responsible for the risks until the goods are on board the vessel. However, the seller has to pay all the cost and freight until the goods arrive the named port of destination. The seller is also responsible for the insurance coverage for the goods during the delivery. The insurance coverage requires only a minimum coverage. This clause has two critical points because the risks and costs are not transferred at the same place. The contract is always identifying the destination port but the port of shipment might not be specified and the port of shipment is the place where risk is transferred from seller to buyer. The seller has two choices, deliver the goods on board on vessel or procure the goods already so delivered. If the goods are packed into containers and handed over the carrier before boarding to vessel, CPT clause is used. This clause also requires that the seller does the custom clearance but has no obligation to involve import formalities. (International Chamber of Commerce 2010, 221-222)

4 IMPLEMENTATION OF THE EMPIRICAL RESEARCH

This chapter presents the implementation of the research. It is important to analyze which factors influence the method decision and perspective of the research. Research methods will be discussed first, followed by a brief analysis of the reliability and validity. After that case company is introduced, and finally the collection of the data and challenges will be discussed.

4.1 Research Methods

Two main types of methods to collect data are qualitative and quantitative methods. Choosing the best method depends on the research. These methods are discussed next. In qualitative research, information collection is done in natural environment and in real situations. Qualitative research is comprehensive as well. The basis of the research is not testing the hypothesis, but complex and detailed analyzing of the collected material. The qualitative data could be found from different sources such as individuals, focus groups, company records, government publications and Internet. Collecting the data for instance by conducting interviews or observations. In qualitative research a target group could be chosen more purposefully, not randomly. Cases are seen unique. The qualitative research gives subjective so called insider view of data. Perspective to research is holistic and research is process orientated. (Ghauri & Grönhaug 2005, 110; Hirsjärvi, Remes & Sarjawaara 2000, 155; Metsämuuronen, 2000; Sekaran & Bougie 2010, 370)

Quantitative research methods are not suitable for research problems when in-depth knowledge about topic is needed. In quantitative research emphasis is on testing and verification based on controlled measurements. As mentioned above, quantitative research has more focus in hypothesis testing. It is also more result oriented than qualitative research. This type of research is suitable for studies where numerical models are needed. (Ghauri & Grönhaug. 2005, 110; Sekaran & Bougie 2010, 303)

In this study, qualitative research approach is chosen because in-depth understanding is crucial and open conversation will be a better way of collecting information compared to structured questionnaires. Information collecting will be done

by observing meetings and conducting thematic interviews within the case company. These qualitative research methods are suitable for solving explorative research problem, which is to develop the export process of the case company. (Ghauri & Grønhaug. 2005, 110) (Sekaran & Bougie 2010, 303)

4.2 Collection of the Data and Analysis

The main data collection method was interviews of six persons involved in the export process by using balanced scorecard. Also observations in different meetings concerning about export, was used as an information collecting method. Some of the interviews were conducted face-to-face but some of them were via lync because of long physical distance. Marketing and sales departments are located in Helsinki but all other departments in Iisalmi. All interviews took about 30 to 45 minutes and they were recorded for later analysis and citation. Used language was Finnish and also balanced scorecard was in Finnish to avoid misunderstanding. Interviews were done during the week and during the work time. However, 45 minutes were reserved for interviews so they could be conducted undisturbed.

Each of recordings were named, dated and departments were indicated. Because of recordings, notes were not done during the interviews. When all interviews were done, recordings were listened and important aspects were written out to balanced scorecard. When each of interviews was individually analyzed, challenges were collected to one balanced scorecard. Existing export material of Olvi was used as a basis of the research. Interviewees considered the export process from different perspectives such as economic perspectives, customer perspective, processes and human resources.

Discussion focused on different challenges in export process of Olvi Plc but also how those challenges could be solved. Interviewees were persons from different parts of export process such as marketing and sales department, logistics and product development but also production department. This gives a good overview of challenges of the process. In text interviewees cannot be identified and in this case it is not even necessary. Some citations are raised from interviewees when found meaningful.

In addition to the interviews, there were two observations. One observation was conducted in a meeting of the controller team and the other one was conducted in a meeting of the export team. Team members were aware of being under observation. Notes were done during the observation but it was not recorded. Observations were used mainly for receiving information about export process in general. Notes were written to gain understanding of the current state of the export process.

4.3 Reliability and Validity

This sub-chapter will introduce reliability and validity in general but also how there are taken into account in this research. Reliability measures if similar results could be received in different times and in different environment and circumstances. Errors can be minimized but there will always be some errors in data collected by people. Errors could be divided into two groups, namely random error and measurement error. There are several factors which could cause random error in the research. The best way to minimize effect of random error is increasing of sample size, in order to produce more reliable data. Measurement error shows how well a specific instrument works in a target group. It is important to remember that there will be always some error in the research when there are not faultless instruments. (Litwin 1995, 5-6; Zikmund 2003, 300; Ghauri & Grönhaug 2005,81)

In addition to reliability is relevant to evaluate how valid the research is. According to David Brinberg and Joseph E. McGrath, “valid is not a commodity that can be purchased with techniques.” They see validity as integrity, character or quality to be assessed relative to purposes and circumstances. Validity could be divided into two groups, external and internal validity. External validity indicates what extend the findings could be generalized to outside that specific research, such as to particular persons, settings and times but also across types of persons, settings and times. Internal validity refers that causal statements could be done in the research. On the other words, in what extent causal relationship exists between two variables. (Ghauri & Grönhaug 2005,85-86; Brinberg & McGrath 1988, 13)

In this research reliability and validity have been taken into account in different ways. In terms of reliability all interviews have been recorded which can be checked and used for further studies. As a basis of validity theoretical framework was used as a ground for the balanced scorecard by including all important indicators from the export process. Choosing the right persons to interviews increased validity as well because people working mainly in domestic process could not know and have the truthful perspective of the process.

In this research, size of the sample was small, only six persons participated and interviewees were not randomly chosen. All of the interviewees chosen were somehow involved with export process and had crucial knowledge to locate challenges and improvements. In this case, if interviewees were chosen randomly, same understanding of the export process or result could not be achieved. In qualitative research sample size is often limited because it is more relevant to gain in-depth information with few informants rather than general view gathered in a wider sample. The number of respondents can be determined by checking the amount of new information given by the last respondents; if the last interview does not provide new information compared to the previous ones, data collection can be closed.

4.4 Case Company Olvi Plc.

Some companies see opportunities abroad and want to expand their operations to foreign markets. The case company of this thesis, Olvi Plc. has long roots in the domestic brewery business. It has operated for 135 years. The company has had some international operations due to its daughter companies in the Baltic area such as in Estonia, Latvia, Lithuania and Belarus like Figure 8 shows.



Figure 8. Daughter companies of Olvi Plc. (Olvi 2013).

Olvi Corporation owns AS A Le Coq brewery 100% in Estonia, A/S Cesu Alusbrewery 99.60% in Latvia, Volfas Engelman brewery 99.57% in Lithuania and Lidskoe Pivo 91.58% in Belarus. All of the daughter companies have their own brands. Even if all daughter companies work very independently, do business in their own market with their local brands, some product exchange is done between mother and daughter companies. (Olvi 2013)

Because of the enormous success of Angry Birds soft drinks Olvi has expanded abroad rapidly. A lot of inquiries are received daily and agreements are done. However, sometimes a market is unknown but also internal process could show its limitations. This thesis will focus on internal export process of Olvi, especially, to find the main challenges in the export process and try to find the optimal way to take export as a part of normal processes. Because export was earlier conducted

based on short projects, taking it as a part of normal business process, seems to be challenge.

4.5 Balanced Scorecard

Balanced scorecard is presented next because it plays import role in data collection. Its four perspectives are used for ground of the interviews. Balanced scorecard is used when collecting data for the empirical part of this thesis. It shows that financial and non-financial measures are all part of a system that gives information to all parts of the organization.

Robert S. Kaplan and David Norton have developed balanced scorecard in 1992. They have studied how to strategy is developed as a constant process and how everyone is adopting it, not only by top management but also at employee level. Kaplan and Norton (1992) claims that the measures are a balance between external and internal measures but also past performances and measures that drives future performances. Balance scorecard could be used as a strategic management system to manage strategy in long run. In the process of balanced scorecard, it is important to clarify and translate vision into strategy but also communicate and link strategic objectives and measures. Planning is important part of BSC. Enhancing the strategic feedback and learning should not be forgotten either. As Figure 9 show, the measures are described from four different perspectives. The description could represent either the current performance of the business or its goals for the future. (Chavan 2009, 395,397; Kaplan & Norton 2002, 131; Malmi,Peltola & Toivainen 2006, 17)

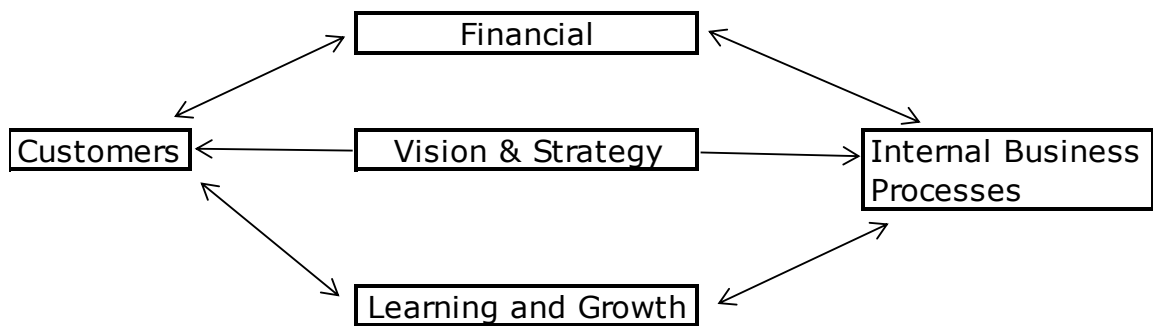


Figure 9. Basic design of the balanced scorecard performance system (Kaplan & Norton 2002, 131).

As Figure 9 shows, indicators are described from four different angles. The description could represent either current performance of the business or its goal for the future. The financial perspective could include measures such as return on capital, improved shareholders value or asset utilization. The customer perspective could include measures such as product and service attributes, customer relationship and image and reputation. Measures for the internal business processes could include development of products and services, delivery of the products or services and “post-sales” services. Measures in a learning and growth perspective could include employee capabilities, information system capabilities, motivation and empowerment and alignment. Usually measuring the critical numbers is focused on financial perspective. However, the financial measures do not give good and reliable view of knowledge, motivation, effectiveness of process, customer relationships to name of few. (Malmi et al. 2006, 16; Chavan 2009, 396-397; Kaplan & Norton 2002, 131)

4.6 Current Export Process of Olvi Plc.

Although Olvi Plc. has long roots in the domestic brewery business, export business is a new area for Olvi Plc. Because of this, the company is finding its way of doing export and international business as a part of its normal production process. Exporting of products have had a very tight schedule, because the project calendar cannot be used and the normal handling process is not in force at the moment. The description of the current export process is based on existing export material of

the case company from year 2012-2013 but it is also based on observations and interviews.

If a request for export comes, a product strategy team makes a decision and inform the export control team for its decision. If the exported product is licensed product, the licensor could have a strong opinion for decision of the exporting country and exported products. The role of the licensor could vary depending on its strategy. The licensee could be tightly involved in product development and branding. It could have a strong opinion on what the product should look like, how it should taste and so on. It could also determine the market to which the company can export and sell products. In some cases, they could prohibit and revoke exporting to certain countries, even if the licensor has accepted it through its own processes.

If the product strategy team and licensor agree and the decision of exporting to a certain country has been made, a pre-statement document is filled, a schedule is made and announcement for different departments is done. Olvi Plc uses pre-statement document, which they collect information from ten different areas. All ten different areas are divided into important sections and there a responsible person is chosen. This document is done based on a document used for the domestic customer. Due to that it does not fully covering every section, which is needed in export process. Ten areas which this document includes are leadership of the project, information of the customer, credibility and permits of the customer, commercial feasibility, brand evaluation, evaluation of the logistical suitability, laws and regulations, evaluation of the business suitability, timetable and approval of the project. The meaning of these sections will be introduced and explained next.

The first step is leadership of the project and that determines who is responsible for the project, export manager, project coordinator or product group manager and what kind of role do they have in that project. The second step is information of the customer. This means that the export assistant collects all relevant information about the customer such as name, invoicing address, registry code, banking information and information about contact person such as name and phone number. This information is needed especially when checking background and credibility

of the company. This leads to the third step which is credibility and permits of the customer. In this section credibility and VAT number of the customer is checked. Different permits such as permit to sell alcohol and registration of customs are checked as well.

Step four, commercial feasibility is done twice, before decision to enter the market but also in this stage when all information about other party is collected. Commercial feasibility includes things such as background information about the market, development of the market and its potential, who are our competitors and what is current price level. When exporting licensed products, permission of the licensor needs to be ensured. The export manager is responsible of all these things except for the permission of the export of the licensed products, which is the marketing director's responsibility. The lawyer of the company and the marketing director are responsible for brand evaluation. This is the fifth step of the process. They need to ensure that brand name is not used in that market and that it is used only for products of Olvi.

The sixth step is important because this affect also the production and storage. This step is evaluation of logistical suitability. Mostly the export assistant is responsible for this step. It includes decision of export conditions, measures of the products, storage place, size of the production and time of the storage. These are important to clarify because they affect to the production planning for instance. The seventh step, laws and regulations, is important as well because some countries could have different labeling and ingredient requirements. The products need to suit to the market. The product development manager as well the product group manager are responsible for this step. They are responsible for finding out the current laws and labeling regulations.

Step eighth and nine are the responsibility of the export manager. They include evaluation of business suitability and scheduling. Evaluation of business suitability means that the project is compatible with the strategy, current core business and forecasted changes in the market. Approval of the project is the responsibility of the product strategy team and product group managers. They decide if the pre-statement document is realistic and adequate.

The exporting projects are controlled in the export control team where the current situation in every country is updated for instance and in the operative team where they handle more practical issues such as how to do it.

4.7 Challenges in the Process

Common challenges were collected from the different departments such as logistics, sales, marketing, production and product development. Balanced scorecard was offering a useful basis for the questions because the interviewees thought about the challenges from the same perspective. There were many challenges which were raised during the interview but also good ideas for how to improve the process to support everyone's work. Table 2 collects all challenges and shows them in balanced scorecard which was used in the interviews. Perspectives which were chosen in balances scorecard, were financial, customer, internal processes and personnel. The balanced scorecard collected key objectives, common challenges and implementations into the same table.

Table 2. Balanced Scorecard

PERSPECTIVE (Priority issues to achieve the objectives)	KEY OBJECTIVES	CHALLENGES/PROBLEMS IN IMPLEMENTATION	ACTIONS NEEDED
	What kind of numerical objectives has the company set for the export in short and long run?	What kind of challenges are there when implementing the set objectives?	What should be done to solve the challenges and reach the goals?
FINANCIAL - numerical objectives - turnover/gross margin - salary expenses %/lv - operational balance € and % - The operational result	- increase profitability	- lack of budgeted resources for export - management of volume and capacity - credibility of the other party (distributor etc.) - bill of lading hard to use - availability of numerical objectives	- better management of volume and capacity (no too much production) - other financing tools than bill of lading
CUSTOMER - customer satisfaction - cultural differences - finding suitable distribution channel // contacts	- meet customer's needs and preferences	- supply certainty - lack of information of the end user and market	
INTERNAL PROCESSES - logistics/distribution - information technology - order-delivery process - customs/charges - legislation - product development	- find the way to fit export as a part of domestic production	- difference between export and domestic processes - scheduling, lack of project calendar - better communication between departments - lack of storage space and difficulties in shipment - documents in one place, access to everyone - right information on the products - strong position of licensor	- better scheduling - doing things more organized - brand management - larger storage space and more organized shipment - everyone takes care of their responsibilities
PERSONNEL - management system - knowledge, education, coaching - usage of agents etc. - recruitment		- person in charge is missing - lack of employees in the export team - export department is part of sales organization	

In the next sub-chapters Table 2 two is introduced and explained more detailed. Firstly the key objectives are discussed and then the common challenges raised during the interviews are discussed. After that useful actions are introduced.

4.7.1 The Key Objectives

Key objectives are important to consider before thinking about challenges in implementation. Key objectives are the goals which company tries to achieve. The key objectives of Olvi are quite clear in each section of balanced scorecard. Next the key objectives raised during the conversations are discussed.

Table 3. The key objectives if the export process

PERSPECTIVE (Priority issues to achieve the objectives)	KEY OBJECTIVES
	What kind of numerical objectives has the company set for the export in short and long run?
<u>FINANCIAL</u> - numerical objectives - turnover/gross margin - salary expenses %/lv - operational balance € and % - The operational result	- increase profitability
<u>CUSTOMER</u> - customer satisfaction - cultural differences - finding suitable distribution channel / contacts	- meet customer's needs and preferences
<u>INTERNAL PROCESSES</u> - logistics/distribution - information technology - order-delivery process - customs/charges - legislation - product development	- find the way to fit export as a part of domestic production

It is important to notice that the key objectives discussed in this sub-chapter and shown in Table 3 are not the formal key objectives of the company but were raised during the interviews. All key objectives are logical and are somehow tightly linked. Without one key objective, the other key objective cannot be achieved.

Firstly, if looking at the key objective from a financial perspective, increasing the profitability of export was raised as a main objective. This is an important key objective for Olvi and it is crucial that everyone knows it. Without a decent profit export would not be worth doing. When looking from a customer perspective meeting customers' needs and preferences were seen as a common key objective. Without customer satisfaction on increase of profitability cannot be achieved. Satisfied customers are mostly loyal. They want to build long lasting relationships but they are also willing to tell others their good experiences. In this case as customers are seen the partners of the company and other companies between the end users. Not directly the end users of the market. It is important to consider customers' preferences because poorly handled relationships with customer could stop the whole exporting to certain countries.

When looking from the perspective of internal processes the common and crucial objective was to find the way how to include the export into the normal production and actions of the company. Like the key objective of internal processes shows, integrating exporting with the normal processes and actions of the company seems to be the main challenge for the company, and as it was raised in the interviews several times. This objective is important because domestic and export processes are separate at the moment and designs conflicts and challenges to act in the process. Challenges which are discussed next are mainly caused because of this separation. All of the raised key objectives are important and needed in order to achieve success. However, this last key objective of the internal processes are discussed more carefully through common challenges.

4.7.2 Challenges in Implementation

After the key objectives were discussed and found during the interviews, the common challenges are discussed. Several points were raised, which were seen as challenges in the export process. However, there were many issues common as well and next these challenges are discussed. Table 4 has collected all the challenges in implementation into same table. Next, table 4 is discussed.

Table 4. Challenges in implementation

PERSPECTIVE (Priority issues to achieve the objectives)	CHALLENGES/PROBLEMS IN IMPLEMENTATION
	What kind of challenges are there when implementing the set objectives?
<u>FINANCIAL</u> - numerical objectives - turnover/gross margin - salary expenses %/lv - operational balance € and % - The operational result	- lack of budgeted resources for export - management of volume and capacity - credibility of the other party (distributor etc.) - bill of lading hard to use - availability of numerical objectives
<u>CUSTOMER</u> - customer satisfaction - cultural differences - finding suitable distribution channel / contacts	- supply certainty - lack of information of the end user and market
<u>INTERNAL PROCESSES</u> - logistics/distribution - information technology - order-delivery process - customs/charges - legislation - product development	- difference between export and domestic processes - scheduling, lack of project calendar - better communication between departments - lack of storage space and difficulties in shipment - documents in one place, access to everyone - right information on the products - strong position of licensor
<u>PERSONNEL</u> - management system - knowledge, education, coaching - usage of agents etc. - recruitment	- person in charge is missing - lack of employees in the export team - export department is part of sales organization

When looking at the common challenges of the export from a financial perspective the issues of a lack of budgeted resources for export but also the management of volume and capacity were raised. When looking at the reasons why lack of budgeted resources is seen as a challenge, good aspect was raised.

“New approaches must be actively sought and attention must be paid to variables during the budgeted time period and resources must be allocated according to what is required.”

This challenge leads to on other important aspect and that is that numerical objectives are not available to everyone. If this information could be available, produc-

tion and product development could be used, when retailing export products. This information was considered crucial and important.

Another good point, presented in an interview, was the credibility of the other party such as distributor. The company is receiving several inquiries daily and potential partners are met. However, there are only few of them who are truly potential customers and partners for future business. It is important to ensure credibility and trustworthiness of the partner. If the another party cannot pay its invoices or not collect products on time, the consequence can be financial losses but also difficulties in logistics. Finding those new trustworthy partners is a time consuming and difficult process. This leads to another challenge, which is difficultness of bill of lading. If the partner is perceived as trustworthy and has credibility, different payment methods could be used, which would make the whole process easier. The bill of lading is used at the moment and it was considered very difficult and time consuming to use.

Since customers' needs and preferences were considered as important aspect in every department, meeting customers' expectations was considered as a key objective when looking from a customer perspective. Challenge for meeting customers' needs and preferences were supply certainty but also lack of information about end user and market. Supply certainty is an important in terms of maintaining customer satisfied. Especially in export, products need to be produced on time because buffer storage does not exist. However, there might be some problems depending on the other party, such as trucks being late. Lack of information about end user and market was seen problematic as well. If this information would be available in advanced, the products could be retailed and end users' preferences could be paid more attention to. When information about the end user and market is received it is too late to start retailing process.

When looking from the perspective of internal processes, many challenges were raised. However, probably the main challenge in this perspective is the separation between export and domestic processes. Export processes used to be some projects among normal domestic processes; and because of this there are not so called export processes and this could cause confusion.

“There is no rational approach and no one does not know yet how these things should be done and which all things should be considered.”

However, this issue was seen understandable because the export is quite new and everything has happened so sudden for the company. Everyone in the process is still learning and tries to find the suitable and best approach for the company. Although finding a suitable approach is still in progress, lack of project calendar or scheduling is seen very problematic. Because the export process includes phases which cannot be found from domestic process, export process is lasting longer and is more time consuming. Because there is no scheduling and everything is done in a urgent manner, people are stressed and feel that they cannot organize and control their time. This could also cause the export process to take most of the working time of the day and the domestic process receives less attention.

Another crucial challenge is the lack of storage space and difficulties of loading. Olvi have two storages, one in Iisalmi in the factory and other one in Lahti. Because of the large size of the orders and variety of product lines, storage space has shown its limitations. This challenge also causes another challenge which came up in the interviews: there is no buffer storage for export at all. Therefore estimation errors cannot occur because there is no buffer to fix it. Another good observation was made when talking about shipments. This challenge was faced mainly in the warehouse in Lahti. The following example describes the challenge:

“When our customer wants to load 22 trucks during the day and our shipment time is from 6am till 6pm, it takes 12 hours. Loading a truck takes two hours, 22 trucks cannot be loaded in 12 hours, if there is not more pick-up doors or more shipment points.”

The fourth crucial challenge seen is the flow of information. Communication is seen as a crucial thing for receiving a successful result but also for avoiding mistakes and being able to do things multiple times. However, lack of communication between departments is seen as a common challenge. If verbal communication is seen as a challenge also storage of used documents and final versions of some

documents is seen as challenge. It was thought that there should be one common place where everyone involved in the export process has access. When using this system, everyone knows which document is the final one and is not depending on someone else's presence. This also helps to avoid problems if someone falls ill for instance. Lack of the information could also cause problem that there is not the right information on the product. When exporting beverages and edible products labeling and other markings on the product are important. Due to this, it is high importance that everyone knows the right documents and the information flow is fluent. Another relevant issue indicated in the interviews was the strong position of the licensor. It can sometimes be problematic when the schedules are tight and everything has to be proved by licensor. Licensors can also have a strong opinion about the exporting countries and the future potential markets, which not only affect the product itself but also different marketing material.

When looking from the perspective of the personnel, the challenges mentioned were that person in charge is missing and there is lack of employees in a export team. The thing that there is not any who has the main responsibility, was seen as challenging. There is a group of people who are in charge of some part of the process, but there is not person who has an overview and make sure that everything is done on time. This challenge was emphasized several times during the interviews.

“There would be room for improvement regarding information flow, but also that someone manages the whole project.”

Other challenges, when looking from the perspective of personnel, was that there is not enough personnel in the export team. Especially, someone from the marketing field was considered as a significant resource to be added to the team. At the moment, only two persons are working full time in exports. This could cause problems especially, if the amount of exporting countries is constantly increasing. The third challenge when looking from a personnel perspective is that the export department acts under the sales department and is not considered as its own. Figure 10 will illustrate the organization structure.

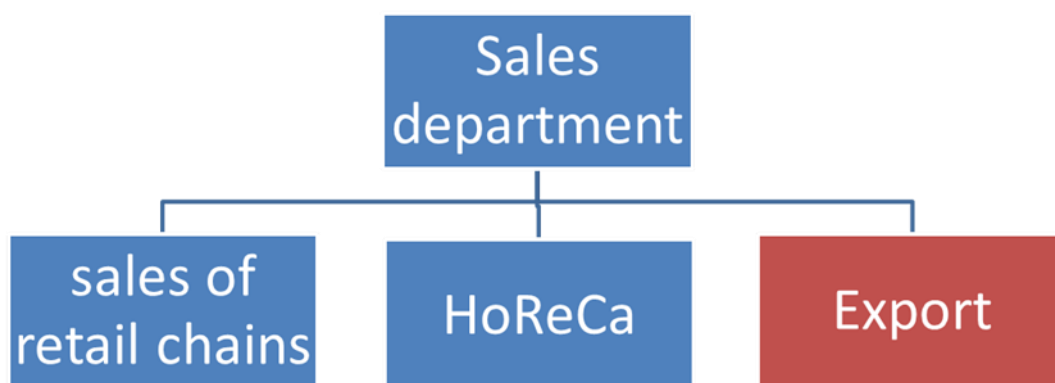


Figure 10. Sales organization of Olvi Plc. (Olvi 2013)

As the Figure 10 shows, the export department acts under the sales department just like sales of retail chains and HoReCa. This could also be the reason why there are not enough budgeted resources for export. This was also perceived challenging and in some cases time consuming. Management of volume and capacity is seen as a challenge when estimations and production differ or something is produced in urgent and the actual need of the products is in some time in the future. This causes a lot of waste of products but could also cause changes in the normal production schedule.

4.7.3 Actions Needed

There were many challenges recognized in the export process and in the interviewees could not find direct solutions to all of these at the moment. However, during the interviews several improvement proposals were presented. The actions needed are introduced through four perspectives and are described in Table 5.

Table 5. Actions needed

PERSPECTIVE (Priority issues to achieve the objectives)	ACTIONS NEEDED
	What should be done to solve the challenges and reach the goals?
<u>FINANCIAL</u> - numerical objectives - turnover/gross margin - salary expenses %/lv - operational balance € and % - The operational result	- better management of volume and capacity (no too much production) - other financing tools than bill of lading
<u>CUSTOMER</u> - customer satisfaction - cultural differences - finding suitable distribution channel / contacts	
<u>INTERNAL PROCESSES</u> - logistics/distribution - information technology - order-delivery process - customs/charges - legislation - product development	- better scheduling - doing things more organized - brand management - larger storage space and more organized shipment - everyone takes care of their responsibilities

Improvement actions in the financial perspective were discussed such as better management of the volume and capacity. When production is managed well, there would not be too much production and storage space would not run out. This of course requires that production estimations are correct. Another improvement proposal was that there would be need for another easier and not so time consuming financing tool than bill of lading. This would make the payment process shorter but also mistakes would not cause so remarkable problems when using some other financing tool.

When looking from the perspective of internal processes there were several improvement proposals. Development proposals presented during conversations were that the whole export process needs better scheduling and things need to be done in a more organized way. Because of the tight schedule of export, any process calendar could not be followed. However, some kind of schedule were seen

as useful and needed. Better brand management was considered as issue which could help in the process. Increasing storage space but also organizing the loading process were perceived as relevant issue. If increasing storage space is not possible in Iisalmi, storage elsewhere in the Finland possibly near the port could be useful to have. A very crucial topic emphasized was also that everyone is responsible for their own field and is willing to step out of their comfort zone.

"In every department there seems to be an attitude that "I don't know". It seems that no one has an answer or that no one wants to take the job even if it might belong to me him/her. "

As this quotation shows, fear of new and unknown jobs could make people reluctant to take them. Maybe fear of mistakes or failing increases the barriers. In these cases things might not be done or someone else needs to do those jobs as well. A possible solution to this would be an opportunity to get more training to feel more confident when facing new challenging things. It is also important that everyone is taking care of their own responsibilities so that they will not be left out because everybody knows their own field the best.

Although discussions mainly were dealing with the challenges and how to improve them, positive aspects in the export process were underlined too. There were pointed out things such as opportunity to participate in courses to get more training and improve the knowledge, Olvi's fearless attitude towards export and educated people who work in the process. Even if the company has challenges in the export it was seen positive that the export business exists and the company has an opportunity to be in international business. A positive thing to notice was also that people think that their colleagues are skillful and educated and if they want to extend their education, it was possible.

As mentioned before, the challenges can be seen as somewhat frightening and sometimes it would be easier to follow the old processes. However, when asking the question, what should be done differently so that there would not be any challenges, the answer of one interview was interesting but very crucial:

“There is one very simple solution,. a change in attitudes. Trying to find more possibilities than limitations.”

Like this quotation indicates, things should be seen from a positive perspective because it could be seen as the answer to all challenges like another interviewee said:

“It is great that things are done”

All challenges are crucial to understand and to be aware of them. However, without the actions to correct them, the best possible way to do the export cannot be achieved. Because the company is still the new actor in the export business, it is crucial for the company to find the suitable for it to do the export business. Some of the corrections might not be possible to do at the moment or at all but some could be solved easily now or sometime in the future.

5 CONCLUSION

In this chapter conclusion based on the theoretical and empirical analysis will be presented. Firstly main conclusions and suggestions for further studies are introduced, followed by a brief summary of the thesis.

5.1 Summary of the Thesis

The aim of the research was to locate the challenges in the export process and develop the current export process. The first objective was to examine export as a process, including export methods and logistic alternatives. The second objective was to empirically analyze the challenges in the case company's export process and suggest corrective actions to it. When the challenges were collected by using balanced scorecard and they were analyzed, corrective suggestions could be made in order to develop the export process as a part of normal domestic production.

The theoretical framework discussed about internationalization and its various options but also planning process and logistics issues. Balanced scorecard was also introduced as the interviews were based on four perspectives of balanced scorecard. Each department involving the exports was interviewed. To gain general knowledge, observations in the meetings were conducted. When gaining in-depth knowledge, interviewees were working in the process and only six persons were interviewed.

Based on empirical study, some key objectives were first established. If looking at the key objective from a financial perspective, increasing profitability of export was perceived as a main objective. When taking the customer perspective meeting customers' needs and preferences was seen as a common key objective. Based on the perspective of internal processes common and crucial objective was to find the way how to integrate the export with the normal production and actions of the company. After the key objectives were defined, the main challenges were discussed. There were the challenges in each perspective such as lack of budgeted resources in financial perspective, supply certainty in customer perspective, difference between export and domestic processes and lack of communication between departments in the perspective of internal processes and the lack of a person

who is in charge of the whole process in personnel perspective. The relevant suggestions were presented during the discussions but also positive issues related to the export process were discussed as well.

5.2 Managerial Suggestions for the Company

Internationalization of the company is long and time consuming process and it requires resources of the company. Understanding of internationalization process is crucial for companies that are willing to expand operations abroad. It is important to consider aspects such as why, how and when. A decision to go international has to be worthwhile and profit should not be the only and major factor. There are many various factors, which drives the companies to go international. The companies have to consider decision carefully and find the most suitable way to do international business. This decision depends on the company's resources and willingness of investing those resources to international business.

The detailed plan is important for the company, who is planning to expand international market. It can show the possible errors but also lacks in the planning process. Although the export process is in the progress, many things could be done to improve the current export process. By locating the challenges of the export process, the company can improve its current export process. However, only locating the challenges is not enough. Company has to do some improvements as well to develop its processes.

In this research, main focus was to study the current export process of the case company Olvi Plc. and locate the challenges of the export process. These challenges were located together with employees of the case company. The person of each department involving in exports was interviewed and crucial information was collected. The balanced scorecard acted as a frame of the interviews. Probably the all of the challenges could not be located. However, main challenges were discussed and some improvement suggestions were presented.

Because of the case company is the new actor in the export business; all of the improvement suggestion cannot be done. Some of them can be difficult to maintain or might be even impossible for the company at the moment. However, it is important for the company to be aware of them.

As this research indicates, each department is facing several challenges daily. Some of the challenges effect to the whole export process, so it would be important to develop it. This will make the whole process smoother and easier to control. Probably, the most urgent and needed development would be finding the person who is in charge of the whole process. This would decrease confusion and lack of information flow in the process. This might be impossible development at the moment for the company. However, the case company should consider this suggestion like increasing the number of employees working in the export team. Especially, export marketing was emphasized and person in charge of it was seen important and urgent.

Some of the improvements suggestions, which are easier to maintain are different financial tools, better information flow, documentation and increasing the storage space for instance. The case company should start from the easier improvements and the change to more challenging improvements. When successful development is done, it could encourage the company to do more time consuming and resource needed improvements.

Although the main focus was to locate the challenges and actions how to improve the current export process, some positive aspects in the process were discussed in the interviews as well. The fearless attitude was seen as a positive aspect in the process. The interviewees raised aspect that Olvi has opportunity to do exports as a positive aspect as well. It is important to discuss also those positive aspects, instead of negative. As mentioned in the study, positive attitude acts crucial role in the development process.

This topic is important and current issue for the many companies, including the case company of this research, Olvi Plc. It is not depending on the size of the company, every company is facing the challenges in different stages of the export

process. By locating those challenges, the company can save resources but also be aware of errors.

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APPENDIX 1 BALANCE SCORECARD / QUESTIONNAIRE USED IN INTERVIEWS

PERSPECTIVE (Priority issues to achieve the objectives)	KEY OBJECTIVES	CHALLENGES/PROBLEMS IN IMPLEMENTATION	ACTIONS NEEDED
	What kind of numerical objectives has the company set for the export in short and long run?	What kind of challenges are there when implementing the set objectives?	What should be done to solve the challenges and reach the goals?
<u>FINANCIAL</u> - numerical objectives - turnover/gross margin - salary expenses %/lv - operational balance € and % - The operational result			
<u>CUSTOMER</u> - customer satisfaction - cultural differences - finding suitable distribution channel / contacts			
<u>INTERNAL PROCESSES</u> - logistics/distribution - information technology - order-delivery process - customs/charges - legislation - product development			
<u>PERSONNEL</u> - management system - knowledge, education, coaching - usage of agents etc. - recruitment			